

*Financial Report of*

**SONORA  
INDEPENDENT SCHOOL DISTRICT**

Sonora, Texas

Year Ended August 31, 2014

CERTIFICATE OF THE BOARD

SONORA INDEPENDENT SCHOOL DISTRICT  
Name of School District

SUTTON  
County

218-901  
County -  
District  
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved \_\_\_ disapproved for the year ended August 31, 2014, at a meeting of the Board of Trustees of such School District  
(Check One)

on the 11 day of Nov., 2014.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

SONORA INDEPENDENT SCHOOL DISTRICT  
Annual Financial Report  
Year Ended August 31, 2014

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF THE BOARD .....	1	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report .....	2-3	
Management's Discussion and Analysis .....	4-8	
<u>Basic Financial Statements</u>		
Government-Wide Financial Statements		
Statement of Net Position .....	9	A-1
Statement of Activities .....	10	B-1
Fund Financial Statements		
Balance Sheet - Governmental Funds .....	11	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	12	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	13	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	14	C-4
Statement of Fiduciary Net Position - Fiduciary Funds .....	15	D-1
Notes to the Financial Statements .....	16-29	
<u>Required Supplementary Information</u>		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund .....	30	E-1
<u>Other Supplementary Information</u>		
Required TEA Schedules		
Schedule of Delinquent Taxes Receivable .....	31-32	F-1
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Child Nutrition Program .....	33	F-2
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Debt Service Fund .....	34	F-3
<b>COMPLIANCE AND INTERNAL CONTROLS SECTION</b>		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	35-36	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	37-38	
Schedule of Findings and Questioned Costs .....	39	
Schedule of Expenditures of Federal Awards .....	40	G-1
Notes to the Schedule of Expenditures of Federal Awards .....	41	

FINANCIAL SECTION

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA  
Cathryn A. Pitcock, CPA

(325) 944-3571  
FAX: (325) 942-1093  
www.eckertandcompany.com

Members of  
American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Sonora Independent School District  
807 South Concho  
Sonora, TX 76950-3999

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of August 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Other Matters*

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 30, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sonora Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of the Sonora Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sonora Independent School District's internal control over financial reporting and compliance.

*Eckert & Company, LLP*

October 14, 2014



807 S. Concho  
Sonora, Texas 76950  
(325) 387-6940  
FAX: (325) 387-5090

**James Hartman, Superintendent**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the Sonora Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2014. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

### **Financial Highlights**

The District's assets exceeded its liabilities at the end of the current year by \$30,768,059 (net position). Of this amount, \$13,341,355 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position decreased by \$705,106 or 2%. This amount consists of a \$700,007 decrease attributable to current year operations and a \$5,099 decrease attributable to prior period adjustments. The District's statement of activities shows total revenues of \$12,978,496 and total expenses of \$13,678,503.

The total fund balance of the General Fund is \$13,102,596 which is an increase of \$158,329 or 1% compared to the prior year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District

The District has no component units.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund, Food Service Special Revenue Fund, and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.



**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis**

**Net Position** - A summary of the District's net position is presented below:

	<u>Governmental Activities</u>	
	<u>August 31,</u>	
	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 13,885,323	\$ 14,789,953
Capital Assets	<u>18,020,949</u>	<u>18,086,101</u>
Total Assets	<u>\$ 31,906,272</u>	<u>\$ 32,876,054</u>
Long-Term Liabilities Outstanding	\$ 790,000	\$ 1,090,000
Other Liabilities	<u>348,213</u>	<u>312,889</u>
Total Liabilities	<u>\$ 1,138,213</u>	<u>\$ 1,402,889</u>
Net Position		
Net Investment in Capital Assets	\$ 17,328,337	\$ 18,234,408
Restricted	98,367	68,826
Unrestricted	<u>13,341,355</u>	<u>13,169,931</u>
Total Net Position	<u>\$ 30,768,059</u>	<u>\$ 31,473,165</u>

A large portion of the District's net position (\$17,328,337) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$98,367) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$13,341,355) may be used to meet the District's ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities decreased the District's net position by \$700,007 and \$903,325 for the fiscal years ended August 31, 2014 and 2013, respectively. Key elements of these decreases are as follows:

**CHANGES IN NET POSITION**

	<u>Governmental Activities</u>	
	<u>Year Ended August 31,</u>	
	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 619,280	\$ 633,932
Operating Grants and Contributions	1,357,569	1,196,672
<b>General Revenues</b>		
Maintenance and Operations Taxes	6,441,267	7,626,167
Debt Service Taxes	309,872	366,600
State Aid - Formula Grants	4,141,174	3,313,765
Investment Earnings	18,365	23,613
Other	90,969	100,241
	<u>\$ 12,978,496</u>	<u>\$ 13,260,990</u>
<b>Expenses</b>		
Instruction and Instructional-Related Services	\$ 7,613,163	\$ 7,318,020
Instructional and School Leadership	818,640	789,588
Support Services - Student (Pupil)	2,337,313	2,356,836
Administrative Support Services	447,465	455,284
Support Services - Nonstudent Based	2,016,469	2,019,751
Debt Service	16,084	72,441
Intergovernmental Charges	429,369	1,152,395
	<u>\$ 13,678,503</u>	<u>\$ 14,164,315</u>
<b>Change in Net Position</b>	\$ (700,007)	\$ (903,325)
<b>Net Position - Beginning</b>	31,473,165	32,338,518
<b>Prior Period Adjustments</b>	<u>(5,099)</u>	<u>37,972</u>
<b>Net Position - Ending</b>	<u>\$ 30,768,059</u>	<u>\$ 31,473,165</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental Funds* - The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the current year.

The District's governmental funds reported combined ending fund balances of \$13,421,076, a decrease of \$948,170 or 7% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$13,102,596. Of this balance \$6,000,000 is assigned for capital expenditures for equipment.

Special Revenue Funds \$159,349. Of this balance \$31,396 is restricted for use in the Food Service Fund, and \$127,953 is committed for use by the Campus Activity Funds of the District.

Debt Service Fund \$61,212. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$97,919. This balance is restricted for construction costs.

### General Fund Budget

The original budget for the General Fund was \$11,885,881, and the final amended budget was \$12,013,881 which represents a \$128,000 increase in appropriations. A significant variance between the original budget and the final amended budget was caused by an increase of \$75,000 in Facilities Acquisition and Construction.

The District has adopted a budget for the General Fund in the amount of \$11,350,092 for the fiscal year 2015, which is a decrease of \$663,789 from the fiscal year 2014.

### Capital Assets and Debt

*Capital Assets* - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2014.

*Long-Term Debt* - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2014.

### Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: James Hartman, Superintendent, Sonora Independent School District, 807 South Concho, Sonora, TX 76950-3999.

Basic Financial Statements

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Temporary Investments	\$ 11,820,465
1220 Property Taxes Receivable (Delinquent)	150,453
1230 Allowance for Uncollectible Taxes	(33,888)
1240 Due from Other Governments	1,948,293
Capital Assets:	
1510 Land	176,444
1520 Buildings, Net	16,745,230
1530 Furniture and Equipment, Net	1,046,070
1580 Construction in Progress	53,205
1000 Total Assets	31,906,272
<b>LIABILITIES</b>	
2110 Accounts Payable	37,530
2140 Interest Payable	531
2160 Accrued Wages Payable	299,826
2177 Due to Fiduciary Funds	1,173
2200 Accrued Expenses	6,840
2300 Unearned Revenue	2,313
Noncurrent Liabilities	
2501 Due Within One Year	280,000
2502 Due in More Than One Year	510,000
2000 Total Liabilities	1,138,213
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	17,328,337
3820 Restricted for Federal and State Programs	31,396
3850 Restricted for Debt Service	66,971
3900 Unrestricted	13,341,355
3000 Total Net Position	\$ 30,768,059

The notes to the financial statements are an integral part of this statement.

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 7,257,205	\$ 239,957	\$ 790,776	\$ (6,226,472)
12 Instructional Resources and Media Services	168,880	-	27,650	(141,230)
13 Curriculum and Instructional Staff Development	187,078	-	26,296	(160,782)
21 Instructional Leadership	147,424	-	10,131	(137,293)
23 School Leadership	671,216	-	31,669	(639,547)
31 Guidance, Counseling, and Evaluation Services	436,679	-	23,447	(413,232)
33 Health Services	72,148	-	3,864	(68,284)
34 Student (Pupil) Transportation	282,101	-	10,462	(271,639)
35 Food Services	539,210	190,055	360,219	11,064
36 Extracurricular Activities	1,007,175	96,859	17,946	(892,370)
41 General Administration	447,465	-	14,087	(433,378)
51 Facilities Maintenance and Operations	1,710,589	92,409	31,182	(1,586,998)
52 Security and Monitoring Services	44,710	-	-	(44,710)
53 Data Processing Services	261,170	-	9,840	(251,330)
72 Debt Service - Interest on Long-Term Debt	16,084	-	-	(16,084)
91 Contracted Instructional Services Between Schools	203,389	-	-	(203,389)
99 Other Intergovernmental Charges	225,980	-	-	(225,980)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 13,678,503</u>	<u>\$ 619,280</u>	<u>\$ 1,357,569</u>	<u>(11,701,654)</u>
Data Control Codes	<b>General Revenues:</b>			
	<b>Taxes:</b>			
MT	Property Taxes, Levied for General Purposes			6,441,267
DT	Property Taxes, Levied for Debt Service			309,872
SF	State Aid - Formula Grants			4,141,174
IE	Investment Earnings			18,365
MI	Miscellaneous Local and Intermediate Revenue			90,969
TR	<b>Total General Revenues</b>			<u>11,001,647</u>
CN	Change in Net Position			(700,007)
NB	Net Position - Beginning			31,473,165
PA	Prior Period Adjustment			(5,099)
NE	Net Position--Ending			<u>\$ 30,768,059</u>

The notes to the financial statements are an integral part of this statement.

SONORA INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Temporary Investments	\$ 11,615,619	\$ 204,846	\$ 11,820,465
1220 Property Taxes - Delinquent	142,788	7,665	150,453
1230 Allowance for Uncollectible Taxes (Credit)	(31,982)	(1,906)	(33,888)
1240 Due from Other Governments	1,778,065	170,228	1,948,293
1000 Total Assets	<u>\$ 13,504,490</u>	<u>\$ 380,833</u>	<u>\$ 13,885,323</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 11,176	\$ 26,354	\$ 37,530
2160 Accrued Wages Payable	273,780	26,046	299,826
2170 Due to Other Funds	1,173	-	1,173
2200 Accrued Expenditures	4,959	1,881	6,840
2300 Unearned Revenue	-	2,313	2,313
2000 Total Liabilities	<u>291,088</u>	<u>56,594</u>	<u>347,682</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	110,806	5,759	116,565
2600 Total Deferred Inflows of Resources	<u>110,806</u>	<u>5,759</u>	<u>116,565</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	31,396	31,396
3480 Retirement of Long-Term Debt	-	61,212	61,212
3490 Other Restricted Fund Balance	-	97,919	97,919
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	127,953	127,953
Assigned Fund Balance:			
3570 Capital Expenditures for Equipment	6,000,000	-	6,000,000
3600 Unassigned Fund Balance	7,102,596	-	7,102,596
3000 Total Fund Balances	<u>13,102,596</u>	<u>318,480</u>	<u>13,421,076</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 13,504,490</u>	<u>\$ 380,833</u>	<u>\$ 13,885,323</u>

The notes to the financial statements are an integral part of this statement.

SONORA INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	13,421,076
<b>1</b> Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		16,995,394
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including capital outlays and debt principal payments is to increase (decrease) net position.		1,539,037
<b>3</b> Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,304,189)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		116,741
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>30,768,059</u>

The notes to the financial statements are an integral part of this statement.



SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 6,753,453	\$ 718,260	\$ 7,471,713
5800	State Program Revenues	4,603,412	149,600	4,753,012
5900	Federal Program Revenues	9,777	735,954	745,731
5020	Total Revenues	<u>11,366,642</u>	<u>1,603,814</u>	<u>12,970,456</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	5,902,467	577,468	6,479,935
0012	Instructional Resources and Media Services	126,687	28,562	155,249
0013	Curriculum and Instructional Staff Development	148,458	19,621	168,079
0021	Instructional Leadership	125,369	3,565	128,934
0023	School Leadership	576,727	-	576,727
0031	Guidance, Counseling, and Evaluation Services	375,893	4,000	379,893
0033	Health Services	61,968	-	61,968
0034	Student (Pupil) Transportation	261,393	87,362	348,755
0035	Food Services	15,260	523,950	539,210
0036	Extracurricular Activities	753,244	200,114	953,358
0041	General Administration	400,079	-	400,079
0051	Facilities Maintenance and Operations	1,624,340	-	1,624,340
0052	Security and Monitoring Services	44,710	-	44,710
0053	Data Processing Services	261,643	-	261,643
Debt Service:				
0071	Principal on Long-Term Debt	-	300,000	300,000
0072	Interest on Long-Term Debt	-	16,260	16,260
Capital Outlay:				
0081	Facilities Acquisition and Construction	75,450	969,568	1,045,018
Intergovernmental:				
0091	Contracted Instructional Services Between Schools	203,389	-	203,389
0099	Other Intergovernmental Charges	225,980	-	225,980
6030	Total Expenditures	<u>11,183,057</u>	<u>2,730,470</u>	<u>13,913,527</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>183,585</u>	<u>(1,126,656)</u>	<u>(943,071)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	Transfers In	-	20,157	20,157
8911	Transfers Out (Use)	(20,157)	-	(20,157)
7080	Total Other Financing Sources (Uses)	<u>(20,157)</u>	<u>20,157</u>	<u>-</u>
1200	Net Change in Fund Balances	163,428	(1,106,499)	(943,071)
0100	Fund Balance - September 1 (Beginning)	12,944,267	1,424,979	14,369,246
1300	Increase (Decrease) in Fund Balance	(5,099)	-	(5,099)
3000	Fund Balance - August 31 (Ending)	<u>\$ 13,102,596</u>	<u>\$ 318,480</u>	<u>\$ 13,421,076</u>

The notes to the financial statements are an integral part of this statement.

SONORA INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(943,071)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase (decrease) net position.		1,539,037
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(1,304,189)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		8,216
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(700,007)</b>

The notes to the financial statements are an integral part of this statement.

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2014

---

	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Temporary Investments	\$ 87,844
Due from Other Funds	1,173
Total Assets	<u>\$ 89,017</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 9,477
Other Liabilities - Current	3,250
Due to Student Groups	76,290
Total Liabilities	<u>\$ 89,017</u>

The notes to the financial statements are an integral part of this statement.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Sonora Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America applicable to state and local governments. Additionally the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

**A. Reporting Entity**

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Sonora Independent School District (the primary government). There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued**

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received they are recorded as unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the government reports the following fund type:

Agency Funds account for the activities of funds which are the property of student groups.

**D. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

**E. Receivables and Payables**

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

**F. Capital Assets**

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**F. Capital Assets - Continued**

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Vehicles	5-10
Furniture and Equipment	5-10

**G. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**H. Compensated Absences**

The District pays auxiliary 12-month employees for their unused vacation leave upon termination of employment. The accumulated vacation leave cannot exceed 20 days.

A liability for these amounts is reported in governmental funds only if they are payable as a result of employee resignations and retirements.

**I. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

**Net Investment in Capital Assets** - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, that is directly attributable to the acquisition, construction, or improvement of those assets.

**Restricted for Federal and State Programs** - This component of net position represents the balance of the Child Nutrition Program.

**Restricted for Debt Service** - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

**Unrestricted** - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**J. Fund Balances**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Assigned - Amounts that are intended for a specific purpose but do not meet the definition of restricted or committed. The intent can be expressed by the Board of Trustees or by a Board designee.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a yearly fund balance in the general operating fund in which the total fund balance is five months of operating expenditures which includes unassigned fund balance of two months of operating expenditures.

**K. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**L. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, and the Food Service Special Revenue Fund. The remaining Special Revenue Funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

**Custodial Credit Risk - Deposits and Investments:** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

**Concentration of Credit Risk:** The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2014, all of the District's investments are in external investment pools.



SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**A. Deposits and Investments - Continued**

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2014, the District was not significantly exposed to credit risk.

**Interest Rate Risk:** The District's investment policy limits its investment portfolio to maturities of one year or less as a means of limiting its exposure to fair value losses arising from fluctuating interest rates.

**Foreign Currency Risk:** Not applicable

The carrying amount of the District's cash and temporary investments at August 31, 2014, approximates fair value and consisted of the following:

Cash in Bank	\$ 1,568,971
TexPool	<u>10,339,338</u>
<b>Total Cash and Temporary Investments</b>	<b><u>\$ 11,908,309</u></b>

**B. Due from Other Governments**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 1,598,508	\$ 0	\$ 179,557	\$ 1,778,065
Special Revenue Funds	<u>0</u>	<u>170,228</u>	<u>0</u>	<u>170,228</u>
<b>Totals</b>	<b><u>\$ 1,598,508</u></b>	<b><u>\$ 170,228</u></b>	<b><u>\$ 179,557</u></b>	<b><u>\$ 1,948,293</u></b>

**C. Interfund Balances and Transfers**

1. The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
General Fund			
Fiduciary Funds	\$ 0	\$ 1,173	Current Operations
Fiduciary Funds			
General Fund	<u>1,173</u>	<u>0</u>	Current Operations
<b>Totals</b>	<b><u>\$ 1,173</u></b>	<b><u>\$ 1,173</u></b>	

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Balances and Transfers - Continued

1. Continued

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	<u>\$ 20,157</u>	Supplemental Fund Resources

D. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
<b>Capital Assets</b>					
Land	\$ 176,444	\$ 0	\$ 0	\$ 0	\$ 176,444
Buildings and Improvements	33,591,414	991,813	0	139,945	34,723,172
Furniture and Equipment	3,179,744	194,019	0	0	3,373,763
Construction in Progress	139,945	53,205	0	(139,945)	53,205
<b>Total Capital Assets</b>	<u>\$ 37,087,547</u>	<u>\$ 1,239,037</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,326,584</u>
<b>Less Accumulated Depreciation</b>					
Buildings and Improvements	\$ (16,938,449)	\$ (1,039,493)	\$ 0	\$ 0	\$ (17,977,942)
Furniture and Equipment	(2,062,997)	(264,696)	0	0	(2,327,693)
<b>Total Accumulated Depreciation</b>	<u>\$ (19,001,446)</u>	<u>\$ (1,304,189)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (20,305,635)</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 18,086,101</u>	<u>\$ (65,152)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,020,949</u>

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets - Continued**

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 852,801
Instructional Resources and Media Services	13,631
Curriculum and Instructional Staff Development	18,999
Instructional Leadership	18,490
School Leadership	94,489
Guidance, Counseling, and Evaluation Services	56,786
Health Services	10,180
Student (Pupil) Transportation	26,663
Extracurricular Activities	53,817
General Administration	47,386
Facilities Maintenance and Operations	86,249
Data Processing Services	<u>24,698</u>
Total	<u>\$ 1,304,189</u>

**E. Deferred Inflows of Resources**

The balance sheet reports a separate section for deferred inflows of resources. This financial statement element represents an acquisition of fund balance that applies to a future period and so will not be recognized as inflows of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, unavailable revenue - property taxes.

**F. Unearned Revenue**

Unearned revenue at year end consisted of the following:

	Special Revenue Funds
	<u>          </u>
State Grants	<u>\$ 2,313</u>

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Commitments Under Noncapitalized Leases

Commitments under operating lease agreements for equipment provide for minimum future rental payments as of August 31, 2014, as follows:

<u>Year Ending</u> <u>August 31,</u>	
2015	\$ 68,052
2016	67,718
2017	66,165
2018	66,023
2019	<u>22,008</u>
Total Minimum Rentals	<u>\$ 289,966</u>

Rental expenditures during the year ended August 31, 2014, were \$74,576.

H. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended August 31, 2014:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Bonds	<u>\$ 1,090,000</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 790,000</u>	<u>\$ 280,000</u>

The District's outstanding bond issue is as follows:

Sonora Independent School District Unlimited Tax School Building Bonds, Series 2013.  
Issued for the purpose of acquiring, constructing, renovating and equipping school facilities  
and acquiring school buses and transportation equipment in the original amount of \$1,425,000.  
Due in variable installments through August 2017, with interest rates of 1.25% to 1.65%.

\$ 790,000

The annual debt service requirements are as follows:

<u>Year Ending</u> <u>August 31,</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2015	\$ 280,000	\$ 12,210	\$ 292,210
2016	265,000	8,150	273,150
2017	<u>245,000</u>	<u>4,043</u>	<u>249,043</u>
Totals	<u>\$ 790,000</u>	<u>\$ 24,403</u>	<u>\$ 814,403</u>

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**I. Outstanding Encumbrances**

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

**J. Revenues from Local and Intermediate Sources**

Local and intermediate source revenues consists of the following:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 6,499,346	\$ 0	\$ 313,603	\$ 0	\$ 6,812,949
Tuition and Fees	50,485	0	0	0	50,485
Other Local Sources	176,786	6,541	1,043	2,641	187,011
Cocurricular, Enterprising Services, or Activities	<u>26,836</u>	<u>394,432</u>	<u>0</u>	<u>0</u>	<u>421,268</u>
<b>Totals</b>	<b><u>\$ 6,753,453</u></b>	<b><u>\$ 400,973</u></b>	<b><u>\$ 314,646</u></b>	<b><u>\$ 2,641</u></b>	<b><u>\$ 7,471,713</u></b>

**K. General Fund Federal Source Revenues**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>
E-Rate School and Library Program	--	<u>\$ 9,777</u>

**IV. OTHER INFORMATION**

**A. Pension Plan**

Plan Description - The Sonora Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS Internet website, [www.trс.state.tx.us](http://www.trс.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION**

**A. Pension Plan - Continued**

Funding Policy - Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; and (2) A state statute prohibits benefit improvements if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contribution amounts for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum and on salaries paid from federal grants.

Fiscal Year	Member		State On-Behalf		District Amount
	Rate	Amount	Rate	Amount	
2014	6.4%	\$ 430,429	6.8%	\$ 374,651	\$ 87,913
2013	6.4%	421,693	6.4%	347,249	74,444
2012	6.4%	417,223	6.0%	382,207	70,452

**B. Retiree Health Plan**

Plan Description - The Sonora Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Plan Description - The Sonora Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION - Continued**

**B. Retiree Health Plan – Continued**

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and contribution amounts for fiscal years 2014-2012 are shown in the table below:

Fiscal Year	Active Member		State On-Behalf		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 43,715	1.0%	\$ 67,255	0.55%	\$ 36,990
2013	0.65%	42,828	0.5%	32,945	0.55%	36,239
2012	0.65%	42,374	1.0%	65,191	0.55%	35,855

The Medicare Modernization Act of 2003 which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for Texas Public School Retired Employee Group Insurance Program (TRS-Care), administered by TRS, to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. Medicare Part D payments made on behalf of the District for fiscal years 2014-2012 are shown in the table below:

Fiscal Year	Medicare Part D
2014	\$ 18,037
2013	17,300
2012	17,085

**C. Health Care Coverage**

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan) through the TRS - Active Care Program administered by the Teacher Retirement System. The District contributed \$200 of the employee-only premium per month, and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Under the Plan, the District is not liable for costs incurred beyond the premiums paid.

**D. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, for which the District participated in a public entity risk pool. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding coverage for each of the past three fiscal years.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION - Continued**

**E. Property and Liability Coverage**

During the year ended August 31, 2014, the District participated in the Texas Association of Public Schools Property and Liability Fund (the Fund).

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Fund. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TAPS' offices.

**F. Unemployment Compensation Coverage**

During the year ended August 31, 2014, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2014, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available on the TASB Risk Management Fund website.

**G. Workers' Compensation Insurance**

During the year ended August 31, 2014, the District met its statutory workers' compensation obligations through participation in the Deep East Texas Self Insurance Fund (the Fund), a public entity risk pool, which is self-sustained through member premiums. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, of the Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.



SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Financial Statements - Continued  
August 31, 2014

**IV. OTHER INFORMATION - Continued**

**G. Workers' Compensation Insurance - Continued**

The Fund and its members are protected against higher than expected claim costs through the purchase of stop-loss coverage for any claims in excess of the Fund's self-insured retention of \$1,000,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$6,659,140 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on June 30. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of June 30, 2013, are available at the Fund's offices.

**H. Contingencies**

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**I. Adjustments to Fund Balance/Net Position**

The fund balance of the General Fund was decreased a net of \$5,099 as follows:

- A decrease of \$990 to record a prior period adjustment for a reduction in amounts owed related to Chapter 41 agreements.
- A decrease of \$6,227 to record prior period adjustments for final state entitlement adjustments made by the State.
- An increase of \$2,118 to record other miscellaneous adjustments.

The net position of the government-wide statements decreased by the same amount.

**J. Commitments**

The taxpayers of the District passed a bond issue during the 2013 fiscal year for the purpose of acquiring, constructing, renovating and equipping school facilities and acquiring school buses and transportation equipment in the amount of \$1,425,000. The District still had \$97,919 to be expended as of August 31, 2014.

**K. Subsequent Events**

The Sonora Independent School District entered into an agreement with the state enabling it to reduce its wealth per weighted student by purchasing attendance credits for the 2014-2015 school year.

The District's management has evaluated subsequent events through October 14, 2014, the date which the financial statements were available for issue.

Required Supplementary Information

SONORA INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 6,717,766	\$ 6,726,766	\$ 6,753,453	\$ 26,687
5800	State Program Revenues	4,478,237	4,478,237	4,603,412	125,175
5900	Federal Program Revenues	9,000	9,000	9,777	777
5020	Total Revenues	11,205,003	11,214,003	11,366,642	152,639
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	6,105,575	6,100,575	5,902,467	198,108
0012	Instructional Resources and Media Services	142,483	142,483	126,687	15,796
0013	Curriculum and Instructional Staff Development	164,255	169,255	148,458	20,797
0021	Instructional Leadership	125,718	125,718	125,369	349
0023	School Leadership	553,979	578,979	576,727	2,252
0031	Guidance, Counseling, and Evaluation Services	393,544	393,544	375,893	17,651
0033	Health Services	66,044	66,044	61,968	4,076
0034	Student (Pupil) Transportation	396,277	396,277	261,393	134,884
0035	Food Services	15,500	15,500	15,260	240
0036	Extracurricular Activities	757,490	766,490	753,244	13,246
0041	General Administration	437,484	437,484	400,079	37,405
0051	Facilities Maintenance and Operations	1,717,442	1,717,442	1,624,340	93,102
0052	Security and Monitoring Services	43,000	45,000	44,710	290
0053	Data Processing Services	292,082	292,082	261,643	30,439
Capital Outlay:					
0081	Facilities Acquisition and Construction	5,000	80,000	75,450	4,550
Intergovernmental:					
0091	Contracted Instructional Services Between	367,349	384,349	203,389	180,960
0099	Other Intergovernmental Charges	239,009	239,009	225,980	13,029
6030	Total Expenditures	11,822,231	11,950,231	11,183,057	767,174
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(617,228)	(736,228)	183,585	919,813
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(63,650)	(63,650)	(20,157)	43,493
1200	Net Change in Fund Balances	(680,878)	(799,878)	163,428	963,306
0100	Fund Balance - September 1 (Beginning)	12,944,267	12,944,267	12,944,267	-
1300	Increase (Decrease) in Fund Balance	-	-	(5,099)	(5,099)
3000	Fund Balance - August 31 (Ending)	\$ 12,263,389	\$ 12,144,389	\$ 13,102,596	\$ 958,207

Other Supplementary Information

SONORA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.500000	0.080000	1,008,358,103
2007	1.370000	0.080000	1,436,729,520
2008	1.040000	0.080000	1,394,245,653
2009	1.040000	0.055000	1,706,518,959
2010	1.040000	0.064000	1,328,940,181
2011	1.040000	0.079690	1,048,719,315
2012	1.040000	0.079690	761,822,627
2013	1.040000	0.050000	725,008,444
2014 (School year under audit)	1.040000	0.050000	610,253,586
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 5,730	\$ -	\$ 480	\$ 10	\$ (1,038)	\$ 4,202
1,748	-	508	27	1	1,214
1,880	-	420	25	-	1,435
11,969	-	7,662	589	(1)	3,717
6,970	-	1,460	77	-	5,433
7,165	-	3,071	189	-	3,905
18,792	-	9,272	711	(189)	8,620
23,787	-	10,727	822	(183)	12,055
69,449	-	48,936	2,353	(262)	17,898
-	6,747,734	6,350,400	305,360	-	91,974
<u>\$ 147,490</u>	<u>\$ 6,747,734</u>	<u>\$ 6,432,936</u>	<u>\$ 310,163</u>	<u>\$ (1,672)</u>	<u>\$ 150,453</u>

SONORA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 180,100	\$ 180,100	\$ 190,042	\$ 9,942
5800	State Program Revenues	2,400	2,400	2,526	126
5900	Federal Program Revenues	293,000	293,000	325,078	32,078
5020	Total Revenues	475,500	475,500	517,646	42,146
<b>EXPENDITURES:</b>					
0035	Food Services	539,150	539,150	506,407	32,743
6030	Total Expenditures	539,150	539,150	506,407	32,743
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,650)	(63,650)	11,239	74,889
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	63,650	63,650	20,157	(43,493)
1200	Net Change in Fund Balances	-	-	31,396	31,396
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 31,396	\$ 31,396

SONORA INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 318,000	\$ 318,000	\$ 314,646	\$ (3,354)
5020	Total Revenues	318,000	318,000	314,646	(3,354)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long-Term Debt	300,000	300,000	300,000	-
0072	Interest on Long-Term Debt	17,000	17,000	16,260	740
0073	Bond Issuance Cost and Fees	1,000	1,000	-	1,000
6030	Total Expenditures	318,000	318,000	316,260	1,740
1200	Net Change in Fund Balances	-	-	(1,614)	(1,614)
0100	Fund Balance - September 1 (Beginning)	62,826	62,826	62,826	-
3000	Fund Balance - August 31 (Ending)	\$ 62,826	\$ 62,826	\$ 61,212	\$ (1,614)



COMPLIANCE AND INTERNAL CONTROLS SECTION

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA  
Cathryn A. Pitcock, CPA

(325) 944-3571  
FAX: (325) 942-1093  
www.eckertandcompany.com

Members of  
American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees  
Sonora Independent School District  
807 South Concho  
Sonora, TX 76950-3999

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonora Independent School District as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sonora Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sonora Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sonora Independent School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sonora Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eckert & Company, LLP*

October 14, 2014

# Eckert & Company

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

Michael E. Oliphant, CPA  
Calvin Featherston, CPA  
Wayne Barr, CPA  
Cathryn A. Pitcock, CPA

(325) 944-3571  
FAX: (325) 942-1093  
www.eckertandcompany.com

Members of  
American Institute of CPAs  
Texas Society of CPAs

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees  
Sonora Independent School District  
807 South Concho  
Sonora, TX 76950-3999

### **Report on Compliance for Each Major Federal Program**

We have audited the Sonora Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Sonora Independent School District's major federal programs for the year ended August 31, 2014. The Sonora Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Sonora Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sonora Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sonora Independent School District's compliance.

#### ***Opinion of Each Major Federal Program***

In our opinion, the Sonora Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

**Report on Internal Control Over Compliance**

Management of the Sonora Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sonora Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Eckert & Company, LLP*

October 14, 2014

SONORA INDEPENDENT SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year Ended August 31, 2014

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on the basic financial statements of the Sonora Independent School District.
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the Sonora Independent School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Sonora Independent School District expresses an unmodified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs for the Sonora Independent School District.
7. The programs tested as major programs included:

Child Nutrition Cluster	
CFDA Number 10.553	School Breakfast Program
CFDA Number 10.555	National School Lunch Program - Cash Assistance
CFDA Number 10.555	National School Lunch Program - Non-Cash Assistance
CFDA Number 10.559	Summer Feeding Program - Cash Assistance

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Sonora Independent School District was determined to be a low-risk auditee.
10. Pass-Through Entity: Texas Education Agency

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major Federal Award Programs Audit**

None

**D. Findings - State Compliance**

None

SONORA INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101218901	\$ 152,396
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101218901	8,628
Total CFDA Number 84.010A			161,024
Total Title I, Part A Cluster			161,024
*IDEA - Part B, Formula	84.027	146600012189016600	179,891
*IDEA - Part B, Formula	84.027	156600012189016600	23,197
Total CFDA Number 84.027			203,088
*IDEA - Part B, Preschool	84.173	146610012189016610	9,499
*IDEA - Part B, Preschool	84.173	156610012189016610	379
Total CFDA Number 84.173			9,878
Total Special Education Cluster (IDEA)			212,966
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	S358A130782	19,531
Total Passed Through State Department of Education			\$ 393,521
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 393,521</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	14-218901	\$ 100,309
*National School Lunch Program - Cash Assistance	10.555	14-218901	196,483
*National School Lunch Prog. - Non-Cash Assistance	10.555	14-218901	28,286
Total CFDA Number 10.555			224,769
*Summer Feeding Program - Cash Assistance	10.559	14-218901	17,355
Total Child Nutrition Cluster			342,433
Total Passed Through the State Department of Agriculture			\$ 342,433
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 342,433</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 735,954</b>

\*Clustered Programs

E-Rate School and Library Program expenditures of \$9,777 are not included in the above figures.

SONORA INDEPENDENT SCHOOL DISTRICT  
Notes to the Schedule of Expenditures of Federal Awards  
August 31, 2014

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sonora Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.